

Oakland Schools Testimony In Support of House Bills 4325-30

Robert Moore, Deputy Superintendent of Finance & Operations

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I am here to support House Bill 4325-30 and their respective substitute language.

Many Oakland School Districts are under significant financial stress due to state K-12 funding policies and enrollment changes. While the state has a system to address what happens to districts if they should fall into deficit or financial crisis, we do not have an early warning system to identify and intervene when a district is on a clear trajectory toward a deficit.

It is in no one's best interest, not the school board, not Michigan taxpayers, not the ISD, or the surrounding districts, and especially not students, to allow a district that is clearly heading for deficit to reach financial rock bottom. It has been our extensive experience that allowing a district to fall into deficit is the worst-case scenario and in many cases can be avoided.

It has also been our experience that the best interventions are local and regional. The package before you includes an option for the local district to contract with their ISD to perform an administrative review and make recommendations to the local district publicly. These recommendations should include what the district needs to change in its current practices to bring them in line with best financial practice.

This option recognizes that not all districts face the same pressure or need the same interventions. It places a priority on identifying the exact problem and tailoring a regional and local solution, rather than the first option being state intervention.

It is important to note that this ISD option is just that, optional. No ISD or local district would be required to exercise the administrative review process.

We are also pleased that the version before the committee today eliminates the requirements that school districts submit to the state the assumptions upon which their budgets are based. Treasury will be making a declaration that a district is potentially financially distressed based on information that the state already has, not new reporting requirements.

The state already requires districts to report volumes of data each year on their fiscal health. The ISD option allows a district, should they choose to exercise the option, to avoid new state requirements for periodic financial reporting. We believe this is an acceptable trade off.

In closing, I want to thank the bill sponsor, Senator Pavlov, the administration, and the committee for crafting an early warning system for schools districts. It is our belief that this system is the right system to identify and correct potentially avoidable deficits.

It does so by striking the right balance between local control and the state's legitimate role in holding school districts accountable to make fiscally sound decisions.